

# **Saline Area Fire Department**

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**Report to the Members of the Board**

**June 30, 2008**



**Plante & Moran, PLLC**

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September 3, 2008

To the Members of the Board  
Saline Area Fire Department

We have recently completed our audit of the basic financial statements of Saline Area Fire Department (the "Department") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Department.

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We are grateful for the opportunity to be of service to the Department. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Leslie J. Pulver".

Leslie J. Pulver

A handwritten signature in black ink that reads "Martin J. Olejnik".

Martin J. Olejnik

## **Results of the Audit**

September 3, 2008

To the Members of the Board  
Saline Area Fire Department

We have audited the financial statements of the Saline Area Fire Department (the "Department") for the year ended June 30, 2008 and have issued our report thereon dated September 3, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 14, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Department. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in the letter about planning matters dated July 14, 2008.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Department are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

To the Members of the Board  
Saline Area Fire Department

We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates noted.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated September 3, 2008.

### ***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Members of the Board  
Saline Area Fire Department

***Other Audit Findings or Issues***

In the normal course of our professional association with the Department, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Department, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Department's auditors.

This information is intended solely for the use of the members of the board and management of the Department and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Leslie J. Pulver". The signature is written in a cursive, flowing style.

Leslie J. Pulver

A handwritten signature in black ink that reads "Martin J. Olejnik". The signature is written in a cursive, flowing style.

Martin J. Olejnik

## **Informational**

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**Accounting and Record Keeping**

During our audit procedures, it was noted that manual journal entries are not reviewed. Although statements are reviewed and budget to actual comparisons are made, we recommend that entries are reviewed and signed/dated by the reviewer.

**Report on Investments**

A new law was passed in December 2007 for reporting on investments to the board. The report is now required to be prepared at least quarterly. While the law prescribes no minimum information requirements, we feel that the report should include a list of investments with the financial institution each is issued through, the amount, and perhaps the stated interest rate.

**Municipal Finance Act Revisions - Reminder**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Department’s year end and is good for one year thereafter.

**Retiree Healthcare Benefits**

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. Therefore, the manner in which retiree healthcare benefits are budgeted will not change, unless you begin funding the benefits (however, as discussed below, there are incentives to do so).

The new pronouncement will require a calculation of the obligation to provide retiree healthcare benefits, including an amortization of the past service cost over a period of up to 30 years. The calculation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any underfunding must be reported as a liability on the government-wide statement of net assets. Since you have less than 100 participants, it is not necessary to retain the services of a professional actuary, which would likely be cost prohibitive, but rather, you can make your own calculations using actuarial assumptions.

Remember that planning to make the annual recommended contribution generally requires up to three to six months for a liability assessment plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the valuation as soon as possible.

**Closing**

We would like to thank the Department board for the opportunity to serve as auditors for the Department. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.



# **Saline Area Fire Department**

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**Financial Report  
with Supplemental Information  
June 30, 2008**

# Saline Area Fire Department

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## Independent Auditor's Report

To the Executive Board  
Saline Area Fire Department

We have audited the accompanying financial statements of the governmental activities and each major fund of Saline Area Fire Department as of and for the year ended June 30, 2008, which collectively comprise Saline Area Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Saline Area Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Saline Area Fire Department as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, identified in the table of contents, and the budgetary comparison schedule - General Fund are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saline Area Fire Department's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. We did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

September 3, 2008

# **Saline Area Fire Department**

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## **Management's Discussion and Analysis**

Our discussion and analysis of Saline Area Fire Department's (the "Fire Department") financial performance provides an overview of the Fire Department's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Fire Department's financial statements.

### **Using this Annual Report**

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include information that presents two different views of the Fire Department.

- The first three columns of the financial statements includes information on the Fire Department's General Fund and Capital Projects Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Fire Department's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The last column presents the Fire Department's operations on a full accrual basis, which provides both long- and short-term information about the Fire Department's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Department as a whole and present a longer-term view of the Fire Department's finances.

# Saline Area Fire Department

## Management's Discussion and Analysis

### The Fire Department as a Whole

The following table shows, in condensed format, the net assets of the Fire Department (in thousands of dollars):

TABLE I

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current assets	\$ 500	\$ 412
Noncurrent assets	<u>1,177</u>	<u>1,228</u>
Total assets	1,677	1,640
<b>Liabilities</b>		
Current liabilities	136	157
Long-term liabilities	<u>43</u>	<u>61</u>
Total liabilities	<u>179</u>	<u>218</u>
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	1,177	1,188
Restricted	-	40
Unrestricted	<u>321</u>	<u>194</u>
Total net assets	<u><u>\$ 1,498</u></u>	<u><u>\$ 1,422</u></u>

# Saline Area Fire Department

## Management's Discussion and Analysis (Continued)

The following table shows the Fire Department's changes in net assets (in thousands of dollars):

	Governmental Activities	
	2008	2007
<b>Revenue</b>		
Operations	\$ 719	\$ 718
Fire runs	24	24
Capital improvements	125	75
Federal sources	36	-
Interest income and other	8	10
Total revenue	912	827
<b>Expenditures</b>		
Salaries, wages, and fringe benefits	512	494
Repairs, maintenance, and improvements	25	28
Depreciation	86	85
Other program expenses	213	214
Total expenditures	836	821
<b>Change in Net Assets</b>	<b>\$ 76</b>	<b>\$ 6</b>

The Fire Department's combined net assets increased from last year due to monitoring and controlling expenditures from the prior year, as well as the receipt of a federal grant totaling approximately \$36,000.

### Governmental Activities

The Fire Department's total governmental revenues increased approximately \$85,000 over last year due to the receipt of a federal grant and increased contributions for capital improvements.

Even though various operating expenses, including salaries, wages, and fringe benefits, increased throughout the year, the Fire Department was able to stay within its budgetary constraints.

# **Saline Area Fire Department**

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## **Management's Discussion and Analysis (Continued)**

### **General Fund Budgetary Highlights**

Over the course of the year, the Fire Department stayed below budget due to continued monitoring of its manpower and operating costs, making sure to stay within its budget limitations.

### **Capital Asset and Debt Administration**

During the year, funds were received from the participating communities and the federal government for capital purchases totaling approximately \$125,000 and \$36,000, respectively. Additionally, the Fire Department paid the final debt payment relating to the loan obtained in fiscal year 2002/2003 for the construction of a new fire engine. At the end of the year, the Fire Department had approximately \$489,000 in cash.

### **Economic Factors and Next Year's Budgets and Rates**

The Fire Department's budget for next year calls for only minor changes. As always, the Fire Department will work hard to maintain a budget that is fair for all participating entities.

### **Contacting the Fire Department's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Fire Department's office.

# Saline Area Fire Department

## Statement of Net Assets/Balance Sheet June 30, 2008

	Modified Accrual Basis			Adjustments (Note 7)	Statement of Net Assets
	General Fund	Capital Projects Fund	Total		
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 263,376	\$ 226,003	\$ 489,379	\$ -	\$ 489,379
Other assets	9,919	-	9,919	-	9,919
Capital assets - Net (Note 4)	-	-	-	1,177,447	1,177,447
Total assets	<u>\$ 273,295</u>	<u>\$ 226,003</u>	<u>\$ 499,298</u>	1,177,447	1,676,745
<b>Liabilities</b>					
Accounts payable	\$ 88,281	\$ 173	\$ 88,454	-	88,454
Due to other governmental units	8,612	-	8,612	-	8,612
Noncurrent liabilities:					
Due within one year (Note 5)	-	-	-	38,000	38,000
Due in more than one year (Note 5)	-	-	-	43,400	43,400
Total liabilities	96,893	173	97,066	81,400	178,466
<b>Fund Equity</b> - Fund balance -					
Unreserved and undesignated	176,402	225,830	402,232	(402,232)	-
Total liabilities and fund equity	<u>\$ 273,295</u>	<u>\$ 226,003</u>	<u>\$ 499,298</u>		
<b>Net Assets</b>					
Invested in capital assets - Net of related debt				1,177,447	1,177,447
Unrestricted				320,832	320,832
Total net assets				<u>\$ -</u>	<u>\$ 1,498,279</u>



# Saline Area Fire Department

## Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2008

	Modified Accrual			Adjustments	Statement of
	General	Capital Projects	Total	(Note 7)	Activities
<b>Revenue</b>					
City of Saline:					
Operations	\$ 271,796	\$ -	\$ 271,796	\$ -	\$ 271,796
Fire runs	8,782	-	8,782	-	8,782
Capital improvements	-	47,250	47,250	-	47,250
Township:					
Operations:					
Lodi Township	225,706	-	225,706	-	225,706
Saline Township	82,330	-	82,330	-	82,330
York Township	139,206	-	139,206	-	139,206
Fire runs:					
Lodi Township	7,351	-	7,351	-	7,351
Saline Township	4,484	-	4,484	-	4,484
York Township	3,606	-	3,606	-	3,606
Capital improvements:					
Lodi Township	-	39,238	39,238	-	39,238
Saline Township	-	14,313	14,313	-	14,313
York Township	-	24,200	24,200	-	24,200
Federal sources	-	35,562	35,562	-	35,562
Interest income and other	2,936	4,786	7,722	-	7,722
Total revenue	746,197	165,349	911,546	-	911,546
<b>Expenditures</b>					
Salaries and wages	374,375	-	374,375	3,498	377,873
Fringe benefits	134,625	-	134,625	-	134,625
Supplies and other	24,205	-	24,205	-	24,205
Professional services	10,664	-	10,664	-	10,664
Communications	9,937	-	9,937	-	9,937
Transportation	6,068	-	6,068	-	6,068
Insurance and bonds	41,031	-	41,031	-	41,031
Utilities	13,723	-	13,723	-	13,723
Repairs, maintenance, and improvements:					
Fire hall	2,963	-	2,963	-	2,963
Equipment	18,172	-	18,172	2,987	21,159
Computer software maintenance	756	-	756	-	756
Schooling	10,049	-	10,049	-	10,049
Administration	79,179	-	79,179	-	79,179
Equipment purchases	-	37,720	37,720	(37,720)	-
Printing and publishing	1,245	-	1,245	-	1,245
Community promotion	2,582	-	2,582	-	2,582
Fuel	9,248	-	9,248	-	9,248
Dues plus subscriptions	2,763	-	2,763	-	2,763
Debt service	-	41,247	41,247	(40,000)	1,247
Depreciation	-	-	-	85,691	85,691
Total expenditures	741,585	78,967	820,552	14,456	835,008
Net Change in Fund Balances/Net Assets	4,612	86,382	90,994	(14,456)	76,538
Fund Balances/Net Assets - Beginning of year	171,790	139,448	311,238	1,110,503	1,421,741
Fund Balances/Net Assets - End of year	\$ 176,402	\$ 225,830	\$ 402,232	\$ 1,096,047	\$ 1,498,279

The Notes to Financial Statements are an  
Integral Part of This Statement.

# Saline Area Fire Department

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## Notes to Financial Statements June 30, 2008

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Saline Area Fire Department (the "Fire Department") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

Saline Area Fire Department is a governmental joint venture created by a contractual agreement between the City of Saline, Lodi Township, Saline Township, and York Township. Saline Area Fire Department is governed by an eight-member board whose directors are selected and approved by the respective city and township boards. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of Saline Area Fire Department. The effects of interfund activity have been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

# Saline Area Fire Department

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## Notes to Financial Statements June 30, 2008

### Note I - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (i.e., balance sheet and statement of revenue, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Therefore, interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Fire Department's policy is to first apply restricted resources.

Saline Area Fire Department reports the General Fund and Capital Projects Fund as its major governmental funds. The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department, except those required to be accounted for in the Capital Projects Fund.

# Saline Area Fire Department

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## Notes to Financial Statements June 30, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Fire Department has elected not to follow private sector standards issued after November 30, 1989.

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash** - Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Capital Assets** - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Fire Department as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years, or as specified by management. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Vehicles and equipment	5 to 20 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Fire Department's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Saline Area Fire Department

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The annual budget is prepared and adopted by the Saline Area Fire Department executive board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on the basis of total revenue and expenditures; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual operations to the budgets adopted by the board is included in the budget statement shown in required supplemental information. The additional line item detail provided is for management analysis only. This comparison includes no significant expenditure budget overruns.

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# **Saline Area Fire Department**

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## **Notes to Financial Statements June 30, 2008**

### **Note 3 - Deposits and Investments (Continued)**

The Fire Department has designated one bank for the deposit of its funds. The investment policy adopted by the Fire Department in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The deposits and investment policies are in accordance with statutory authority.

The Fire Department had no investments during the year ended June 30, 2008.

The Fire Department's cash deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned to it. The Fire Department does not have a deposit policy for custodial credit risk. At year end, the Fire Department had approximately \$423,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Fire Department believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Fire Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year end, cash totaled \$489,379.

Saline Area Fire Department's cash at June 30, 2008 was composed entirely of deposits with banking institutions.

# Saline Area Fire Department

## Notes to Financial Statements June 30, 2008

### Note 4 - Capital Assets

Capital asset activity was as follows:

	Balance July 1, 2007	Additions	Balance June 30, 2008
Capital assets not being depreciated - Land	\$ 41,839	\$ -	\$ 41,839
Capital assets being depreciated:			
Buildings and improvements	399,741	-	399,741
Vehicles and equipment	<u>1,475,535</u>	<u>34,733</u>	<u>1,510,268</u>
Subtotal	1,875,276	34,733	1,910,009
Accumulated depreciation:			
Buildings and improvements	166,722	7,995	174,717
Vehicles and equipment	<u>521,988</u>	<u>77,696</u>	<u>599,684</u>
Subtotal	<u>688,710</u>	<u>85,691</u>	<u>774,401</u>
Net capital assets being depreciated	<u>1,186,566</u>	<u>(50,958)</u>	<u>1,135,608</u>
Net capital assets	<u>\$ 1,228,405</u>	<u>\$ (50,958)</u>	<u>\$ 1,177,447</u>

### Note 5 - Long-term Debt

Long-term obligation activity can be summarized as follows:

	Annual Interest Rate	Annual Principal Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase agreement	3.135%	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
Compensated absences			<u>77,902</u>	<u>40,017</u>	<u>36,519</u>	<u>81,400</u>	<u>38,000</u>
Total obligations			<u>\$ 117,902</u>	<u>\$ 40,017</u>	<u>\$ 76,519</u>	<u>\$ 81,400</u>	<u>\$ 38,000</u>

# Saline Area Fire Department

## Notes to Financial Statements June 30, 2008

### Note 6 - Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). Medical benefits are not provided to all employees of the Fire Department. The Fire Department has purchased commercial insurance for employee accident, injury claims, and for claims related to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 7 - Description of Adjustments from the Modified Accrual to the Full Accrual Basis

The reconciliation of the governmental funds balance sheet to the statement of net assets is as follows:

<b>Fund Balances - Total Governmental Funds</b>	\$ 402,232
Amounts reported under the full accrual method in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	1,177,447
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(81,400)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 1,498,279</u></u>



# Saline Area Fire Department

## Notes to Financial Statements June 30, 2008

### Note 7 - Description of Adjustments from the Modified Accrual to the Full Accrual Basis (Continued)

The reconciliation of the statement of revenue, expenditures, and changes in fund balance to the statement of activities is as follows:

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 90,994</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	34,733
Depreciation	(85,691)
Repayment of installment purchase agreement is an expenditure in the governmental funds, but not in the statement of activities (where it decreases long-term debt)	
	40,000
Change in accumulated employee sick and vacation is recorded when earned in the statement of activities	
	<u>(3,498)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 76,538</u></b>

### Note 8 - Allocation of Net Assets between Member Communities

The allocation of the net assets as of June 30, 2008 is as follows:

City of Saline	\$ 566,349
Lodi Township	470,310
Saline Township	171,553
York Township	<u>290,067</u>
<b>Total net assets</b>	<b><u>\$ 1,498,279</u></b>

# Saline Area Fire Department

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## Notes to Financial Statements June 30, 2008

### **Note 9 - Defined Contribution Pension Plan**

The Fire Department provides pension benefits to the employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the board, the Fire Department contributes 4 percent of the employees' gross earnings and the employees are not required to contribute to the plan, but they are allowed to contribute if they choose. In accordance with these requirements, the Fire Department contributed \$11,494 and employees voluntarily contributed \$26,764 during the current year.

### **Note 10 - Other Postemployment Benefits**

The Fire Department has elected to provide postemployment health care and life insurance benefits to all full-time employees upon their retirement. The Fire Department pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the Fire Department's group rates. Currently, no retirees are eligible for postemployment health benefits. The Fire Department will include payments for health insurance premiums for the retiree and their dependents in its insured healthcare plan, with no contribution required by the participant.

### **Upcoming Reporting Change**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ended June 30, 2010.

## **Required Supplemental Information**

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# Saline Area Fire Department

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Revenue</b>				
City of Saline:				
Operations	\$ 257,445	\$ 271,796	\$ 271,796	\$ -
Fire runs	25,148	10,000	8,782	(1,218)
Townships:				
Operations:				
Lodi Township	213,870	225,706	225,706	-
Saline Township	78,055	82,330	82,330	-
York Township	129,368	139,206	139,206	-
Fire runs:				
Lodi Township	20,891	8,000	7,351	(649)
Saline Township	7,624	5,000	4,484	(516)
York Township	12,637	3,000	3,606	606
Interest income and other	-	-	2,936	2,936
Total revenue	745,038	745,038	746,197	1,159
<b>Expenditures</b>				
Salaries and wages	381,299	369,299	374,375	(5,076)
Fringe benefits	140,000	136,000	134,625	1,375
Supplies	23,200	23,530	24,205	(675)
Professional services	9,000	11,120	10,664	456
Communications	4,000	5,700	9,937	(4,237)
Transportation	6,200	6,200	6,068	132
Insurance and bonds	50,000	45,000	41,031	3,969
Utilities	10,000	13,200	13,723	(523)
Repairs, maintenance, and improvements:				
Fire hall	3,500	3,500	2,963	537
Equipment	18,000	23,000	18,172	4,828
Computer software maintenance	1,200	1,200	756	444
Schooling	8,000	10,200	10,049	151
Administration	80,239	80,239	79,179	1,060
Printing and publishing	1,000	1,150	1,245	(95)
Community promotion	1,000	2,600	2,582	18
Contingencies	146,367	171,790	-	171,790
Fuel	6,000	10,100	9,248	852
Dues plus subscriptions	2,400	3,000	2,763	237
Total expenditures	891,405	916,828	741,585	175,243
<b>Net Change in Fund Balance</b>	(146,367)	(171,790)	4,612	<b>\$ 176,402</b>
<b>Fund Balance - Beginning of year</b>	171,790	171,790	171,790	
<b>Fund Balance - End of year</b>	<b>\$ 25,423</b>	<b>\$ -</b>	<b>\$ 176,402</b>	

The Saline Area Fire Department board has adopted the budget on the basis of total revenue and expenditures. The budget shown above is in greater detail than adopted and is shown for management analysis only.

## **Other Supplemental Information**

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# Saline Area Fire Department

## Other Supplemental Information Budgetary Comparison Schedule - Capital Projects Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Revenue</b>				
City of Saline - Capital improvements	\$ 47,412	\$ 47,250	\$ 47,250	\$ -
Townships - Capital improvements:				
Lodi Township	39,075	39,238	39,238	-
Saline Township	14,313	14,313	14,313	-
York Township	24,200	24,200	24,200	-
Federal sources	-	35,562	35,562	-
Interest income and other	2,500	4,499	4,786	287
<b>Total revenue</b>	<b>127,500</b>	<b>165,062</b>	<b>165,349</b>	<b>287</b>
<b>Expenditures</b>				
Debt service	41,500	41,300	41,247	53
Equipment purchases	-	42,433	37,720	4,713
<b>Total expenditures</b>	<b>41,500</b>	<b>83,733</b>	<b>78,967</b>	<b>4,766</b>
<b>Net Change in Fund Balance</b>	<b>86,000</b>	<b>81,329</b>	<b>86,382</b>	<b>\$ 5,053</b>
<b>Fund Balance - Beginning of year</b>	<b>139,448</b>	<b>139,448</b>	<b>139,448</b>	
<b>Fund Balance - End of year</b>	<b>\$ 225,448</b>	<b>\$ 220,777</b>	<b>\$ 225,830</b>	

The Saline Area Fire Department board has adopted the budget on the basis of total revenue and expenditures. The budget shown above is in greater detail than adopted and is shown for management analysis only.